

Department of Insurance and Securities Regulation

Description	FY 2002 Approved	FY 2003 Proposed	% Change
Operating Budget	\$9,377,212	\$9,766,310	4.1

The overall mission of the Department of Insurance and Securities Regulation (DISR) is to provide fair, efficient and fast regulatory supervision of the insurance and securities businesses for the protection of the people of the District.

Its mission also is to create conditions that will attract and retain national and international insurance and other financial service businesses to the District. The department ensures that all insurance companies, insurance agents and brokers, health maintenance organizations, risk retention groups, securities businesses, securities brokers, dealers and agents, and investment advisers comply with the insurance and securities laws and regulations of the District.

The agency plans to fulfill its mission by achieving the following strategic result goals:

- Provide efficient, streamlined supervision of insurance and securities businesses.
- Develop new markets for insurers and other financial services based in the District of Columbia.
- Provide access to interactive forms and services through the DISR web site at <http://www.disr.dc.gov>.
- Improve access to quality health care by promoting a responsive and fair health insurance market.
- Promote the District as an international financial center and insurance gateway.

Did you know...

Number of domestic insurance companies in the District in FY 2001.	22
Revenues provided to the General Fund from insurance and securities businesses in FY 2001.	\$44.9 mil.*
Number of insurance and securities forms submitted electronically through agency's web site in FY 2001.	102 ins. 7,591 sec.

* The DISR, through fiscal responsibility and good performance, provided \$44.9 million to the General Fund in FY 2001, though the agency's estimate was \$33.0 million.

Where the Money Comes From

Table SR0-1 shows the source(s) of funding for the Department of Insurance and Securities Regulation.

Table SR0-1

FY 2003 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Other	6,426	7,518	9,377	9,766	389
Gross Funds	6,426	7,518	9,377	9,766	389

How the Money is Allocated

Tables SR0-2 and 3 show the FY 2003 proposed budget and FTEs for the agency at the Comptroller Source Group level (Object Class level).

Table SR0-2

FY 2003 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Regular Pay - Cont Full Time	4,011	4,696	6,410	6,413	3
Regular Pay - Other	8	101	0	0	0
Additional Gross Pay	151	93	15	75	60
Fringe Benefits - Curr Personnel	652	768	1,044	1,007	-37
<i>Personal Services</i>	<i>4,823</i>	<i>5,658</i>	<i>7,470</i>	<i>7,495</i>	<i>25</i>
Supplies and Materials	39	39	55	58	3
Telephone, Telegraph, Telegram, Etc	28	65	70	71	1
Rentals - Land and Structures	674	813	825	815	-10
Other Services and Charges	270	324	445	511	66
Contractual Services - Other	162	300	193	150	-43
Subsidies and Transfers	113	99	110	130	20
Equipment & Equipment Rental	317	219	211	537	327
<i>Nonpersonal Services</i>	<i>1,603</i>	<i>1,860</i>	<i>1,908</i>	<i>2,272</i>	<i>364</i>
Total Proposed Operating Budget	6,426	7,518	9,377	9,766	389

Table SR0-3

FY 2003 Full-Time Equivalent Employment Levels

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Continuing full time	81	80.75	103	103	0
Term full time	2	0	0	0	0
Total FTEs	83	80.75	103	103	0

Other Funds

The proposed Other budget is \$9,766,310, an increase of \$389,098 or 4.1 percent over the FY 2002 approved funding level of \$9,377,212. This increase represents increases of \$25,060 in personal services, and \$364,038 in nonpersonal services.

There are 103 FTEs supported by other funds. This is no change from the FY 2002 FTE level.

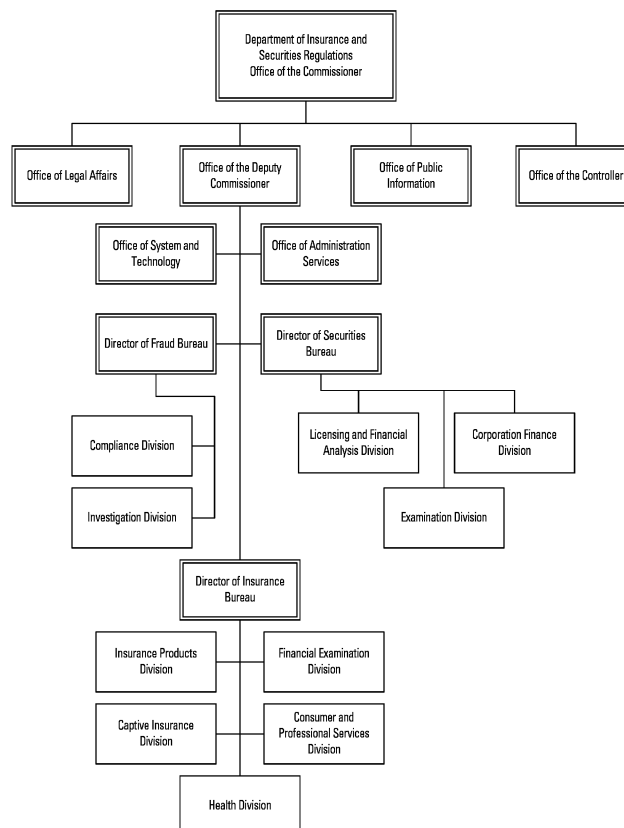
Significant changes over the FY 2002 approved budget are as follows:

- A net increase of \$25,060 in personal services, comprised of an increase of \$62,548 in

salaries partially offset by a decrease of \$37,488 in fringe benefits.

- An increase of \$326,800 in equipment due to an agency need for a facility redesign and new office furniture to accommodate an increase of 14 FTEs during the past two years.
- A net increase of \$37,238 in other anticipated FY 2003 operating costs, including a decrease of \$52,612 in contractual costs and rent, offset by an increase of \$89,850 in supplies and other services.

Figure SR0-1

Department of Insurance and Securities Regulation

Programs

The Department of Insurance and Securities Regulation is organized into three bureaus (insurance, securities, and fraud), and a central administration. DISR is funded solely from three different non-local revenue sources. The central administrative costs are allocated proportionately among the funding sources.

Administration

The Administration develops departmental policies, provides legal guidance in insurance, managed care, and securities issues, provides direction on financial management issues, educates the public, reviews and evaluates departmental performance and makes recommendations to the Mayor and the Council on modifications of the insurance and securities laws. The Administration consists of seven offices, including Office of the Commissioner and Office of the Deputy Commissioner, as well as others for legal affairs, public information, controller, systems and technology and administrative services. Key initiatives for this program are:

- Seek to implement legislative and regulatory efficiency processes that will continue to modernize our insurance and securities laws and procedures.

Insurance Bureau

The Insurance Bureau regulates and licenses insurance companies, mediates disputes between insurers and consumers, conducts financial analysis reviews and examinations of insurance companies and health maintenance organizations. It also reviews and approves premium rates and policy forms. The bureau consists of five divisions: the Financial Examination Division, Insurance Products Division, Consumer and Professional Services Division, Health Division, and Captive Insurance Division.

The key initiatives for this program are:

- Participate in National Insurance Producer Registry allowing one-stop licensing for non-resident agents.
- Establish the District of Columbia as the leading domicile for association captive insurance companies. Capitalize on strengths of our jurisdiction by developing cutting-edge

laws and procedures to respond to the changing regulatory environment for captives.

- Replace the current licensing system with a web-based system, which brings the service to the public.
- Continue and expand the health insurance policy discussions that have been held with insurers, health maintenance organizations, health providers and hospitals to work through common problems such as prompt pay.
- Continue and expand the pharmaceutical discussion group consisting of consumer advocates (Families USA, AARP, etc.), health providers, the DC Health Department, and pharmaceutical manufacturers to find ways to lower the cost of prescription drugs for District residents.
- Continue community outreach and education to District residents to inform and educate consumers about rights under various District and federal health insurance laws and regulations.
- Introduce legislation that will protect health maintenance organization subscribers if their plan fails, ceases business, or converts from non-profit to for-profit status.
- Continue to seek opportunities for the District to work with foreign regulators, through the NAIC and the International Association of Insurance Supervisors (IAIS).
- Coordinate efforts with the Department of Banking and Financial Services on passage of Certified Capital Company legislation.

Securities Bureau

The Securities Bureau is responsible for the licensing, regulation and monitoring of broker-dealers and agents, investment advisers and their representatives and agents of issuers. Under the newly enacted Securities Act of 2000, the bureau now is responsible for registration and regulation of securities offered to citizens in the District of Columbia. The bureau consists of three divisions: Licensing and Financial Analysis, Corporation Finance, and Examination

The key initiatives for this program are:

- Implement Phase II of the Investment Adviser Registration Depository System for the registration of Investment Advisers.

- Acquire and install the Securities Tracking and Registration (STAR) system modules for automated management of compliance activity in the broker-dealer and investment adviser area.
- Implement a program for on-site examination of broker-dealers and investment advisers in coordination with other federal and state regulatory agencies
- Utilize system-generated e-mail messages for routine correspondence with broker-dealers and securities offering registrants and notice filers.
- Utilize web-based complaint and inquiry system for communication with members of the public and the securities industry.
- Develop a coordinated response to common securities regulatory issues affecting banks, insurance companies and broker-dealer and investment adviser firms in response to federal Gramm-Leach-Bliley legislation.

Fraud Bureau

The Fraud Bureau, originally under the Insurance Bureau, was elevated to bureau status after enactment of the District of Columbia Insurance Fraud Prevention and Detection Amendment Act of 1998, in response to District's citizens' concerns about the cost of fraud. The Fraud Bureau is charged with protecting the interest of citizens who do business in the insurance and securities industries from the direct or indirect effects of fraudulent insurance or securities behavior. The Fraud Bureau is empowered to conduct investigations of suspected fraudulent insurance and securities activities and make referrals to the appropriate authority for criminal or civil actions against perpetrators. The bureau consists of two divisions: Compliance and Investigation.

The key initiatives for this program are to:

- Participate in National Association of Insurance Commissioners' (NAIC) anti-fraud committee activities to standardize and enhance the DISR Fraud Bureau operational procedures.
- Participate with NAIC and federal authorities in the creation of an anti-fraud securities and insurance information network.

- Amend the current fraud statute to obtain limited law enforcement status.
- Enact legislation creating a civil penalty for fraudulent insurance activity.

Agency Goals and Performance Measures

Goal 1: Provide efficient streamlined supervision of insurance and securities business.

Citywide Strategic Priority Area: Making Government Work

Managers: Margaret Schruender, Director, Insurance Bureau; Theodore Miles, Director, Securities Bureau; Stephen Perry, Director, Fraud Bureau

Supervisor: Thomas Hampton, Deputy Commissioner

Measure 1.1: Success of DISR in meeting NAIC state based initiatives and in meeting uniform licensing requirements (Note: measured by percent of objectives achieved during fiscal year; objectives are set annually)

	Fiscal Year				
	2000	2001	2002	2003	2004
Target	100	100	100	100	100
Actual	100	100	-	-	-

Note: FY00 target: "Implement NAIC SR 2000 guidelines." FY01 target: "Develop licensing checklist; use of SERFF filing system." FY02 target: "Increase number of SERFF filings to 500; develop review standard checklists for life/health." FY03 & FY04 targets are TBD. New performance measures added 3/5/02 as a result of agency strategic planning process.

Measure 1.2: Develop financial analysis tools for monitoring health entities (percent of annual objectives achieved)

	Fiscal Year				
	2000	2001	2002	2003	2004
Target	N/A	N/A	100	100	100
Actual	N/A	N/A	-	-	-

Note: FY02 target: "Develop procedures with NAIC for completing financial handbook." FY03 target: "Develop manual financial analysis handbook." FY04 target: "Automate system." New measure approved 3/5/02.

Measure 1.3: Implementation of NAIC producer licensing initiatives and adoption of reciprocity provisions (measured by percent of annual objectives accomplished)

	Fiscal Year				
	2000	2001	2002	2003	2004
Target	N/A	N/A	100	100	100
Actual	N/A	N/A	-	-	-

Note: FY02 target: "Participate in NAIC PDB and PIN database systems; enact NAIC model Producer Licensing Act." FY03 target: "Replace current contractor-based licensing system with an in-house system." FY04 target is TBD. New measure approved 3/5/02.

Measure 1.4: Increase number of insurance and securities fraud investigations completed.

	2000	2001	Fiscal Year 2002	2003	2004
Target	83	104	124	148	177
Actual	99	144	-	-	-

Measure 1.5: Coordination with other federal and state securities regulatory agencies, (as measured by percent of annual objectives completed).

	2000	2001	Fiscal Year 2002	2003	2004
Target	N/A	N/A	100	100	100
Actual	N/A	N/A	-	-	-

Note: FY02 target: "Hire securities examiners." FY03 target: "Train staff and complete 2 coordinated exams." FY04 target: "Complete 4 coordinated exams." New measure approved 3/5/02.

Measure 1.6: Number of securities licensing applications reviewed, approved and renewed.

	2000	2001	Fiscal Year 2002	2003	2004
Target	N/A	N/A	90000	N/A	N/A
Actual	N/A	N/A	-	-	-

Note: New performance measure, 3/5/02. FY03 & FY04 targets are TBD.

Goal 2: Develop new markets for insurance and other financial services based in the District of Columbia.

Citywide Strategic Priority Area: Promoting Economic Development

Managers: Thomas Hampton, Deputy Commissioner; Tamera Velasquez, Director of Public Affairs

Supervisor: Lawrence H. Mirel, Commissioner

Measure 2.1: Increase the number of new domestic insurance companies doing business in the District (including captive insurance companies).

	2000	2001	Fiscal Year 2002	2003	2004
Target	N/A	N/A	2	3	7
Actual	N/A	N/A	-	-	-

Note: New performance measure added 3/5/02. Modifies previous FY01 measure 2.2.

Measure 2.2: Increase general fund revenues from insurance business (millions of dollars).

	2000	2001	Fiscal Year 2002	2003	2004
Target	32	33	35	35.3	36
Actual	31.7	33.3	-	-	-

Measure 2.3: Increase general fund revenues from securities business (millions of dollars).

	2000	2001	Fiscal Year 2002	2003	2004
Target	N/A	4	7	8	8.5
Actual	3.1	9	-	-	-

Note: DISR began registering securities firms, brokers and small offerings in June 2001. FY02 target increased from 5.5 M to 7 M. FY03 target increased from 7.1 M to 8 M.

Goal 3: Provide access to interactive forms and services through DISR web site.

Citywide Strategic Priority Area: Making Government Work

Manager: John Wallace, Director of Systems and Technology

Supervisor: Thomas Hampton, Deputy Commissioner

Measure 3.1: Progress of electronic commerce transactions on web page as measured by number of hits per month (thousands).

	2000	2001	Fiscal Year 2002	2003	2004
Target	N/A	N/A	200	225	250
Actual	N/A	N/A	-	-	-

Note: New performance measure, 3/5/02. Web site launched June 2000.

Measure 3.2: Number of insurance forms submitted electronically through agency's web site

	2000	2001	Fiscal Year 2002	2003	2004
Target	N/A	500	200	300	500
Actual	N/A	102	-	-	-

Note: This expands old FY01 measure 1.3.

Measure 3.3: Number of securities forms submitted electronically through agency's web site.

	2000	2001	Fiscal Year 2002	2003	2004
Target	N/A	N/A	7500	7500	7500
Actual	N/A	7591	-	-	-

Note: This expands old FY01 measure 1.3.

Measure 3.4: Implement Virtual Private Network in order to enhance agency-to-agency and agency-to-private sector collaboration through remote access to systems. (Percent complete.)

	2000	2001	Fiscal Year 2002	2003	2004
Target	N/A	N/A	100	N/A	N/A
Actual	N/A	N/A	-	-	-

Note: New performance measure, 3/5/02. FY01 target was: "Develop procedure." FY02 target is: "Implementation of VPN."

Goal 4: Improve access to quality health care by promoting a responsive and fair health insurance market.

Citywide Strategic Priority Area: Strengthening Children, Youth, Families and Individuals

Manager: Katheryne Rickford, Asst. Director, Health

Supervisor: Margaret Schruender, Director, Insurance Bureau

Measure 4.1: Number of community outreach and education events

	2000	Fiscal Year		2003	2004
		2001	2002		
Target	N/A	6	10	15	20
Actual	N/A	16	-	-	-

Measure 4.2: Protect health maintenance policyholders when their insurance plan fails, ceases business, is sold, or converts from non-profit to for-profit status. FY02 target is: "Percentage of eligible GWUHP members transferred to Kaiser Plan"

	2000	Fiscal Year		2003	2004
		2001	2002		
Target	N/A	N/A	25	N/A	N/A
Actual	N/A	N/A	-	-	-

Note: New performance measure, 3/5/02. FY03 & FY04 targets are TBD.

Goal 5: Promote the District as an international financial center and insurance gateway.

Citywide Strategic Priority Area: Promoting Economic Development

Managers: Tamera Velasquez, Director of Public Affairs; Gordon Cloney, Assistant for International Programs

Supervisor: Lawrence H. Mirel, Commissioner

Measure 5.1: License new overseas insurance companies and insurance service companies, including overseas captive companies

	2000	Fiscal Year		2003	2004
		2001	2002		
Target	N/A	N/A	1	3	5
Actual	N/A	N/A	-	-	-

Note: New performance measure, 3/5/02.

Measure 5.2: Number of exchange programs.

	2000	Fiscal Year		2003	2004
		2001	2002		
Target	N/A	N/A	3	6	10
Actual	N/A	N/A	-	-	-

Note: New performance measure, 3/5/02.

Measure 5.3: Number of signed cooperation agreements

	2000	Fiscal Year		2003	2004
		2001	2002		
Target	N/A	N/A	2	5	8
Actual	N/A	N/A	-	-	-

Note: New performance measure, 3/5/02.